A sleepy giant awakens
— In the Market, page 6

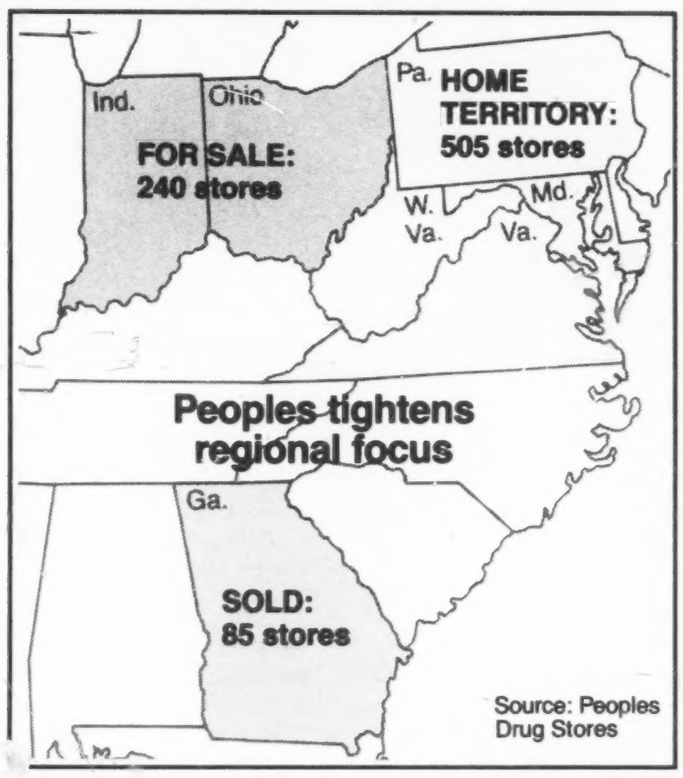
Va. benefit plan displeases Rx'ers
— Pharmacy, page 97

Operators escape Miami riot damage
— Page 103

DRUG STORE NEWS®

Vol. 11/No. 3 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Feb. 6, 1989

Peoples unloading Ga., Ohio, Ind. stores



By Al Heller

ALEXANDRIA, Va. — Peoples Drug Stores, midway through its three-year recovery plan, has decided to jettison its 325 stores in Georgia, Ohio and Indiana.

Released first was 85-store Reed Drug, which Big B has just agreed to purchase for $60 million (Canadian), about $50 million in U.S. dollars. To Alabama-based Big B, which already operates 208 stores in the southeast, the acquisition is a huge spike in its expansion program, and gives the chain its first significant presence in greater Atlanta.

For Peoples' part, top brass looked at Reed, saw a chain that was improving yet held only an 11-percent share in Atlanta. "Do we invest heavily to give Reed a greater presence, or do we redeploy assets into stronger markets?" was the key issue, said David Bloom, ceo of Imasco Drug Retailing Group, which includes Peoples. Peoples decided in the fall to pare back to markets within closer geographic reach and in which it has a No. 1 or No. 2 share.

See **Peoples,** *page 104*

Ed Hart's 'maverick' style steered Pay Less to profits

By David Vaczek

WILSONVILLE, Ore. — When Ed Hart retires as Pay Less NW's chairman on June 1, the chain will lose the man perhaps most responsible for making it one of the most profitable and innovative in the industry.

Hart, 65, always cultivated "the mavericks," store managers who think independently, he said in an interview with *Drug Store News*. At the same time, he knew he had to limit their authority to usher in centralized buying, accounting and control systems needed by the growing chain.

Such foresight helped produce a

See **Hart,** *page 2*

Walgreens keeps heat on to fend off 'complacency'

By James Frederick

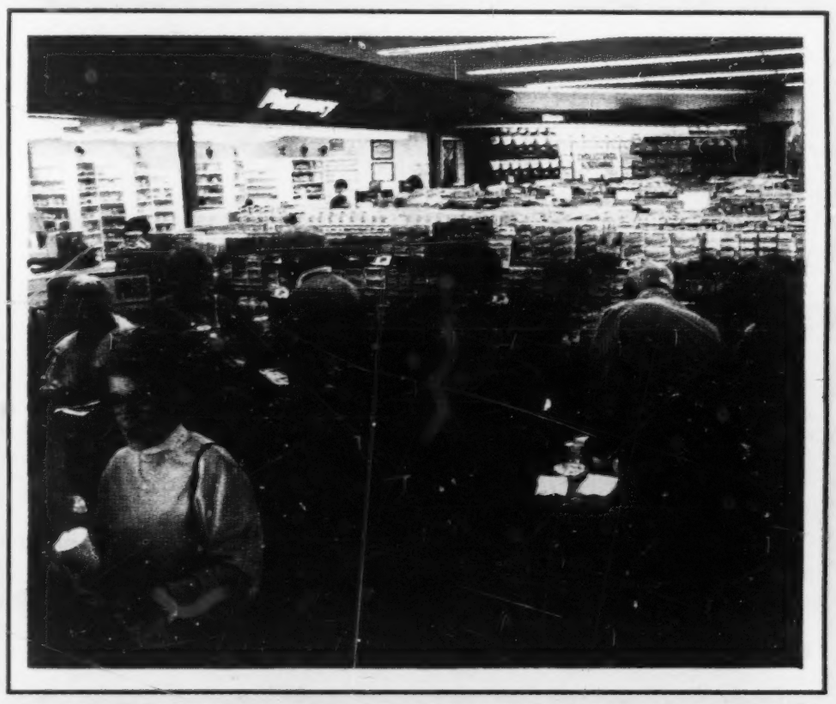
News Analysis

CHICAGO — Walgreen Co.'s two top officers conveyed a simple message to stockholders at the recent annual meeting: We'll keep on doing what we do best to remain the nation's best-run, most profitable drug chain, and we'll be even more aggressive about it than before.

In what has become an annual tradition, Walgreen shareholders turned out *en masse* to cheer the company's past successes and its aggressive programs for future growth. As in past years, chairman and chief executive Charles Walgreen III and president and chief operating officer Fred Canning put on a masterful performance, exhorting shareholders with an enviable progress report, a bright outlook and an oft-stat-

Continued on page 92

Left to right are top Walgreen execs Charles Walgreen III, William Shank and Fred Canning at annual meeting.



New Pay Less prototype counts pharmacy as one of its three key anchors, expecting to fill 150 scripts a day by March. Expanded OTCs are adjacent to main aisle.

Rx, cosmetics, photo anchor Pay Less NW's 'radical' prototype

By Pamela Krein

CAMERON PARK, Calif. — In a radical departure of store format, Pay Less NW has unveiled its new service-oriented drug store prototype here. It is the first of 30 such stores due to open this year, some in a slightly smaller size.

"There is absolutely nothing the same from the past," summed up executive vp Timothy McAlear, who is largely credited with returning the 271-store chain to a clear drug store identity.

Facing an onslaught of large discounters, chain executives felt it was time to prep Pay Less for the '90s by placing more attention on cosmetics, pharmacy/OTC and photo. Each of these anchor categories can be seen by shoppers entering the store, with cosmetics taking center stage.

The store's primary changes and highlights include:

Continued on page 100

LATE NEWS

- TROY, Mich. — Arbor Drugs has shut its 14,000-member prescription drug PPO, Arbor Plus, after a two-year test. Chairman Eugene Applebaum called the PPO "a marketing experiment" that was "marginally profitable," but added that the chain would gain a better payoff by "allocating our resources to additional retail locations."
- SHIREMANSTOWN, Pa. — Rite Aid used half-page newspaper ads in Pennsylvania, Kentucky, Virginia, and West Virginia to advise workers covered by the United Mine Workers of America Health and Pension Fund it won't fill their prescriptions if the fund pursues a plan to cut reimbursement by 20 percent. Rite Aid fills 6 million prescriptions annually for UMWA members *(See related story, p. 3)*.
- TWINSBURG, Ohio — Revco named Joseph McKinney DMM-general merchandise, replacing Dan Horwitz, who resigned *(See story, p. 2)*. McKinney, 39, a Target Stores veteran, joined Revco last spring as head of reorder management.

Special back-to-school coverage

See special coverage, beginning on page 11, for the Back-to-School Merchandise Show running from Feb. 11-13 at New York's Javits Convention Center. Features include an overview of the school-stationery-home office category; effects of a new tariff on Brazilian paper on the U.S. paper market; interviews with home office workers on where they shop for supplies, and why; how an independent drug store operator in Texas makes the most of his school department; and recent stationery product launches.

NEWS IN BRIEF

Horwitz resigns Revco after 28 years

Dan Horwitz

TWINSBURG, Ohio — Veteran retailer Dan Horwitz has resigned as vp/divisional merchandise manager from Revco D.S. to pursue other interests, ending a 28-year relationship with the company with which he began his career.

Horwitz was one of the last long-time Revco executives to remain with the company after the sweeping management changes that followed the election of Boake Sells as chairman in 1987. According to a company source, his resignation was accepted only after top Revco officers had tried to convince the well-known merchandiser to stay.

"Maybe I'll start my own business. Maybe I'll get into the supplier role. But whatever, I need a career change," Horwitz wrote. He also cited the need to spend more time with his family.

As divisional merchandise manager, Horwitz oversaw buying activities for tobacco, candy and snacks, stationery, seasonal goods, photo and other categories, reporting to vp/general merchandise manager Jeff Doshan. Along with Les Haughton, Horwitz was in charge of all merchandising activities for non-pharmacy products.

Ex-Ketchum exec forms consulting firm

NEW YORK — Anthony De Nicola, former senior vp of sales and marketing at wholesaler Ketchum and Co., has formed a consulting firm, A and D Associates, headquartered here.

The new company will provide services and act as communications liaison to clients in the manufacturing, distribution and retail segments of the pharmaceutical industry.

De Nicola, president of A and D Associates, also founded and served as executive director of the Legend Pharmacy Cooperative and the Legend franchise network.

Walgreen lists appointments, openings

DEERFIELD, Ill. — Walgreen Co. has named 21-year company veteran Julian Oettinger to replace retiring William Shank as vice president, general counsel and corporate secretary. Allan Resnick has been promoted to replace Oettinger as law department director.

And in another move, Walgreen held grand opening celebrations for five new stores in Chicago, boosting its Chicagoland store total to 245. "The casual observer might think we have a drug store in every Chicago neighborhood, but we've found lots of fill-in spots," said Chicago regional vp Richard Moyer.

"Plant closing" law now in effect

WASHINGTON — The new federal "plant closing" law has gone into effect as of Feb. 4. The statute at issue requires employers to provide notice at least 60 days in advance of a business closing which will affect 50 or more full-time workers at a single site. Similar warning must be given for layoffs affecting more than 50 full-timers who make up at least one-third of a business' workforce. The law applies to any employer of 100 or more full-time workers or a combination of 100 or more full-time and part-time employees whose aggregate hours exceed 4,000 per week.

FoxMeyer tabs executive & senior vps

DALLAS — FoxMeyer Drug Co. has appointed Mark A. Pulido executive vp and Thomas L. Anderson senior vp and cfo.

"The appointment of Mark and Tom to these new positions essentially completes our management restructuring of FoxMeyer's wholesale drug distribution operations," said Robert L. King, president of FoxMeyer Drug. "By focusing all of our field sales and distribution operations under Mark's direction and financial control activities under Tom, we are better positioned to improve service levels to customers and to achieve a sustainable competitive level of profitability for the drug company."

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N. Y. 10022. Subscription rates: in-field subscribers, retailrs and wholesalers, one year (24 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Single copy rate $4. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1989 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Subscription Dept., Drug Store News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. For change of address six weeks notice to Subscription Dept., 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 11, No. 3 Feb. 6, 1989

Sav-on name change set for May; expected to affect 200 stores

LOS ANGELES — At last, Sav-on will be just Sav-on again.

The changeover from Osco/Sav-on to Sav-on in American Drug Stores' West Coast sites is expected to occur between May and July, John Kromer, advertising director, confirmed to *Drug Store News*. The number of stores that will be involved is not yet final, he said, but should include most former Sav-ons and some former Skaggs, raising the total to about 200.

Even though their names will be changed, the stores will still use the central buying services out of Oak Brook, Ill. "This is strictly a name change," Kromer noted. This was affirmed by Michael Holt, head of investor relations, who said that all buying activities will continue to be headquarterd in Oak Brook.

Another source close to the company said the Sav-ons would retain some latitude in local merchandising.

Returning to the Sav-on name in the Sunbelt marks a reversal of Osco's earlier intent to create a national chain of drug stores. Soon after purchasing the Sav-on stores in 1984, the company began changing both the Sav-on store names, merchandise and advertising.

The unifying effort had mixed results because of the chain's varying markets and store sizes. To improve the effort, Osco recruited Dick Scott, then executive vp at Longs, to head up the Osco Sav-on Western region.

Yet this plan also changed, when Osco president Dick George and chairman Scott Bergeson left the chain in September 1988 and Scott was put in charge of the entire company, just five months after his arrival. And just recently the chain's name was changed to American Drug Stores, with both the Sav-on and Osco stores falling under this corporate umbrella, according to Kromer.

Hart finds profits in innovation

Continued from page 1

17-year string of uninterrupted quarterly earnings growth, which continues today. This enviable consistency readied the chain for the expansion push set by K mart after buying Pay Less in 1985. Today, with 271 stores in eight Western states, Pay Less plans over 30 stores a year in 1989 and 1990, spearheaded by the latest format shown in Cameron Park, Calif. *(See related story, p. 1.)*

Twenty years ago Hart became ceo and "took over a chain of very strong managers; almost all were renegades," recalls Ron Schiff, president and chief operating officer; at the time, Pay Less had 33 stores. "He began putting in systems and centralizing. Initially they fought him, but they all loved him for doing it."

Above all, Hart encouraged experimentation. As an example, Pay Less installed one of the industry's first pharmacy computer systems in 1974. The project reflected the corporate culture he sought, and which remains today: to be open to fresh ideas.

Turning 65 on May 20, Hart will be leaving after 40 years at Pay Less, where he began his career as a pharmacist in the Lewiston, Idaho, store. Hart prizes what he calls consideration for people, customers and employees alike, a trait he says began with company founder Peyton Hawes. This approach has led to a climate where employees feel they can speak their minds, even to the chairman, he said.

"I think the greatest satisfaction I've had is having the people know that they can talk to me—tell me their likes and dislikes any time. People don't speak out to be critical, they say it because they're sincere," Hart says.

Ed Hart

'I think the greatest satisfaction I've had is having the people know that they can talk to me—tell me their likes and dislikes any time.'

Hart's rapport with those who "aren't afraid to say what they think" can be traced to his own temperament and history with Pay Less, where he recalls marching to the beat of his own drummer most of the time.

Back in the early 1950s, as the young manager of a Pay Less in Coos Bay, Ore., Hart found a low-cost source for diverted high-end cosmetics and fragrances which the chain wanted for all its stores. He promptly brought in the items, and ran a full-page newspaper ad the next day featuring discounted prices. The move startled headquarters executives, who had just started talking with the diverter themselves, Hart said.

Hart first became a vice president in 1963, was promoted to executive vp four years later, and president six months after that. He reached the ceo seat in 1969 and became chairman in 1980.

During his management tenure, Pay Less merchandising has been marked by aggressive experimentation in product mix and store formats. They've been among the industry's highest grossing outlets, with their large component of general merchandise and a "price-promotion" marketing philosophy. Averaging today 28,000 square feet to 30,000 square feet, each store produces about $5 million in annual sales.

As Pay Less has improved efficiency with more sophisticated systems, and expanded its centralized buying and warehousing, profitability has climbed.

The chain had averaged an 18.9-percent return on equity for the 15 years before K mart's purchase, among the industry's best ratios.

Though Hart is leaving, it is with confidence in "one of the industry's top management teams," with many officers who have been with the chain for decades. Notable among them is Schiff, whom Hart hired 28 years ago to work in the Coos Bay store as a pharmacist trainee and assistant. Schiff has gained exposure since then in all aspects of chain drug retailing as he's followed Hart up the ladder.

"He's probably one of the best mavericks we've ever had," says Hart.

Correction

In a story on Cullum Companies in the Jan. 23 issue, *Drug Store News* misstated the action Cullum took with regard to the two Hypermart USAs it operates in a joint venture with Wal-Mart. Cullum transacted a sale/leaseback of the land and buildings but retained its 50 percent ownership of the venture itself.

IN THIS ISSUE

Features
Pictures in the News 100

Trends
Drug stores feasting on back-to-school, stationery, home office volume 11
Product Updates 33,45,83
Product Innovation 83

Beauty Trends
Beauty Beat 87
Category in Motion 89

Pharmacy
Cohen's Capsules 97
Rx'ers frowning on monetary incentives in health plans 97
Triplicate forms causing pharmacists problems 97

Departments
Midwest Report 5
Opinion
In the Market 6
Washington Perspective 6
Store Management Training Program 84
People in the News 94
Finance 104

TRENDS

Drug chains feast year-round on back-to-school–stationery–home office volume

School-stationery-home office appears to be a rich feast for drug stores. Merchants see back-to-school as a filling course in August, and home office as a year-round banquet yet to be fully exploited.

With lots of harvesting left, drug chains sold $1.6 billion worth of the category in 1987, up 10.1 percent. That's on top of a 10-percent gain the prior year.

Home office, especially, is challenging the ingenuity of retailers and vendors to realize its potential. Specialty office supply megastores like Office Depot offer product in bulk for small-office consumers, so vendors are helping drug stores compete by offering downsized bulk packs and special displays tailored to their limited space allotments.

Stuart Hall, for example, is introducing "office packs," such as six-pack legal pads, four-pack steno pads, three-pack executive business pads, and packs of 50 clasp envelopes. "For drug stores, it provides a 'happy medium' between single items and the 12-packs that warehouse clubs want, and it tells customers that drug stores are in the home office business," said a company spokesman.

Pegged writing instruments atop a wide assortment of school supplies, plus a spinner rack of binders, add up to a streamlined stationery department in a Drug Emporium.

And Esselte Pendaflex is packing its Colour Collection products in dump displays designed for drug store endcaps.

While many drug chains continue to expand home office space and selection, some retailers are also considering other ways to attract the office supply customer.

For example, Mark Griffin, president of South Dakota-based Lewis–Drug Stores, said he's considering delivering supplies to local office customers. "We have prescription and nursing home delivery service; delivering office supplies could be a natural progression. It's a new niche." The chain already offers in-store accounts and credit card charge services for office supply customers.

"The [home office] market is strong to expand," Griffin continued. "We offer many products offered at office supply stores for considerably less money and are looking to improve our breadth of assortment. We're studying space allocations and getting into bulk—trying to determine how far to go in home office."

Phar-Mor, apparently attempting to compete head-on with the specialty office supply chains, has significantly expanded the home office section in many of its new stores. A Phar-Mor that opened recently in the Tampa, Fla., area, for instance, devotes a full valley—about 108 feet—to office supplies and targets the office customer with flats of bulk items such as legal pads, pens and pencils and computer paper. A blitz of print advertising, including full-pagers of office supplies, heralded the opening.

One competitor in the Orlando market said of a new Phar-Mor there, "The home office section was really im-

Continued on page 22

Vereen Ad Tracking Data

How mass merchandisers advertise stationery-home office category

(Percent of print ads focused on category)

Drug stores	2.0%
Discount stores	2.0
Food stores	0.6

Most frequently advertised segments in stationery-home office

(Percentage November 1988 mass market print ads)

Tape	36.0%
Other	24.0
Writing instruments	10.0
Envelopes	9.0
Markers	6.0
Glue	6.0
Paper	5.0
Legal pads	4.0

Source: Vereen & Associates, Inc., November 1988 Retail Ad Activity

Suppliers, buyers gauge impact of U.S. tariff on Brazilian paper goods

NEW YORK — A 100-percent tariff recently imposed on raw paper and finished paper products imported from Brazil will tighten the availability of paper in the United States this year, sources in the paper industry say. As a result, the price of paper, which has been rising steadily for the past year and a half, will go up more this year, some sources predict.

The tariff "effectively shuts the door to Brazilian paper," said Dan Hoover, vp and general manager of Roaring Spring Blank Book Co. Brazilian raw paper (called roll stock in the industry) and finished paper products accounted for about 5 percent of the U. S.'s paper supply.

Paper prices increased several times last year as a result of such factors as the devaluation of the dollar. Manufacturers are paying about 19 percent more for raw paper for this back-to-school season than at this time last year, Hoover estimated. That may mean an increase of as much as 15 percent in selling prices to retailers this back-to-school season compared with last year's, some sources said.

Back-to-school will be affected more than home office supplies, one vendor said, because the home office demand is more evenly spread throughout the year, whereas "machine capacity and the paper supply come into play in a concentrated period" such as the back-to-school season.

For drug store retailers, the tariff, which went into effect Oct. 29, may translate into increased price points for such items as filler paper. Also, "Counts may go down some, but there are traditional counts [such as 200-count filler paper] that are hard to bounce off of," said one source.

At least one manufacturer is suggesting retailers limit the number of packages per customer as a way to finesse the situation.

"The lack of Brazilian competition is not going to encourage paper and paper product companies to come in with lower prices, and paper will be in shorter supply," said Mark Blandford, school and stationery buyer at K&B. "Pricing will be at an all-time high this year as a result of both factors." Pricing changes may show up more in low-priced goods, Blandford suggested, "because retailers work closer to cost on those. There's more room for absorption on higher-priced goods."

The tighter paper market has sent paper manufacturers, as well as retailers who imported paper products from Brazil, scurrying to find other sources to replace their Brazilian connections.

Although at least one large paper product vendor is known to have lobbied for the tariff, it is mainly seen as a retaliatory tariff, stemming from Brazil's unwillingness to conform to the U.S. Trade Representative's demands concerning pharmaceuticals.

DrSN *sponsors back-to-school seminar at show*

NEW YORK — *Drug Store News* will co-sponsor a panel discussion on "Marketing Update '89: Mass Marketing Back-to-School–Stationery–Office Supplies," to be held Feb. 12 from 8:30 to 9:30 a.m. in Room 1A03 of the Jacob K. Javits Convention Center here during the 1989 National Back-To-School Merchandise Show.

All those coming to the show are invited to attend the discussion, which will include such topics as trends in specific markets, best-performing stationery products in 1988, problems in merchandising stationery and views on using several vendors vs. consolidating supply sources.

Panelists include Dan McAllister, stationery buyer, Kerr Drugs; John Kinzi, director of general merchandising, Drug Emporium; Lance Clark, merchandise manager, Snyder Drug; Larry Fine, vp/divisional merchandise manager, Jamesway; and Steve Appel, chairman, Office World. Moderators are Jay Forbes, publisher of *Drug Store News*, and Fred Filer, publisher of *Discount Store News*, which is co-sponsoring the discussion.

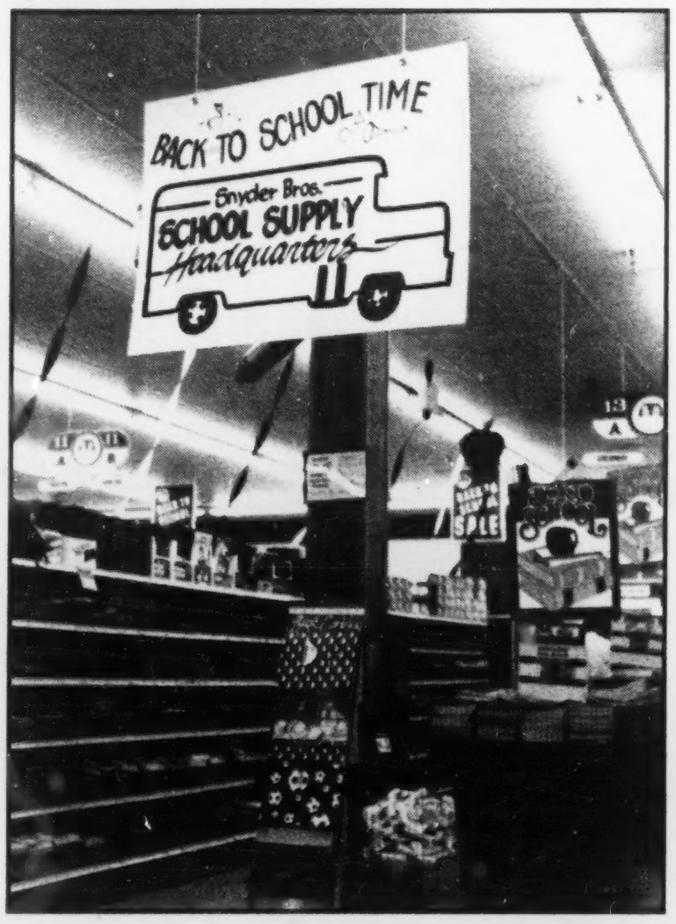
Coffee and pastries will be served from 8 to 8:30 a.m. in Room 1A03, which is on the same exhibit level as the show. Admission is free to registered buyers and exhibitors.

Back-to-school supplies homes year-round

Continued from page 11

pressive. I especially liked their use of clear plastic strips hanging down the front of wire baskets, with a sample of the item stapled to it. It really draws your attention, and customers can see what's in the bin."

Whether such all-out efforts will pay off for Phar-Mor or other drug chains remains to be seen. One executive at a specialty office supply chain said that although operations like his are watching Phar-Mor's progress, "we don't consider them any kind of major competition. We don't even consider price clubs our competition; they have some bulk quantities, but the assortment and variety isn't there and, because they buy on deal, sometimes they have an item and sometimes they don't. Offices want consistency."



Snyder Bros.' store in Minneapolis says back-to-school loud and clear with signage, promotion tables of notebooks and filler paper, a rack of book covers (foreground) and a run of school supplies.

Many drug chains seem to see convenience as their strong suit in home office, and a random sample of consumers who have home offices also have that perception. [*See pp. 12, 21.*] Mathew Kirk, director of merchandising at Maxi-drug, noting that the chain's West Springfield, Mass., store is near a Staples office supply unit, said, "We know they're there and that everybody goes there. We don't go in for the case purchase. I see convenience as our main draw in home office."

Chains also strive to offer as broad a mix as possible. "We've expanded home office and will continue to do so," said Mark Blandford, K&B's school and stationery buyer. "We'll probably add more room and items such as the storage type products this year. Home office in general is good year-'round."

While some chains are still hesitant about offering computer supplies, K&B carries floppy disks ("They do well," said Blandford) and computer paper. "Computer paper hasn't become a factor in the department yet. Based on the numbers, we probably would drop it, but we're hoping the business will evolve. We're keeping computer paper to add to the completeness of our selection," Blandford said.

Rusty Cowart, who operates the Drug Emporium franchise in the Orlando, Fla., market, switched to using a local distributor for the school-home office department before Drug Emporium moved to distributors chainwide.

"I went with a distributor for selection and assortment. We have no back stock, and the department is serviced once a week," said Cowart. "Prices are a bit higher, but we're very competitive in the marketplace, and it's been acceptable to customers."

"We can offer a tremendous variety," he continued. "We had 155 SKUs when we bought direct; now we carry 950 SKUs, and it's going through the roof!" Cowart said the two oldest Orlando-area stores have experienced a 150-percent increase in department sales for the year.

Tax time is a growing season for many chains, including Arbor Drugs. "The tax time season is starting earlier," said Dennis Wozniak, vp-purchasing. He cited planning pads, tax guides, index cards and storage items as big tax-time movers. Arbor launched a new promotion recently, featuring legal and planning pads, portfolio items, planning books, security envelopes and mailers on endcaps as a secondary location. "We wanted to create a mix of everyday strong items and high-margin products," Wozniak said, adding that the promotion generates added business for the high-end goods.

'School supplies has become a fashion business. You have to have the catchy erasers, the 'right' folders, and keep up on who's hot on Saturday morning cartoons.'

"Tax time is getting more attention from vendors and customers," added Griffin of Lewis Drug, which gradually steps up its tax-time advertising from the end of February through the April deadline. "People want to get organized because of the increasing complexity of tax returns. They think they need to be prepared to face the government. Retailers sell organization." The chain carries items ranging from file folders to mini-safes and file cabinets.

Two other segments, mailing supplies and picture frames (which are often near the stationery department), have been surprisingly successful, some chains report. Both Drug Emporium in Orlando and Minnesota-based Snyder Drug praise Intercraft's organizing system for frames. The peggable brackets hold frames upright and, because the brackets can be spaced to hold a particular size frame, the system keeps segment housekeeping at a minimum. Arbor, among other chains, has found the mailing section that it added about a year ago to be a growth area.

Several chain execs noted the growing overlap between the home office and school supply segments. "The entire school department is becoming home office in disguise," said Russ Smith, executive vp of Oklahoma-based May's Drug Stores. The chain will switch from coupon books to circulars for back-to-school this year, because "although coupon books have been successful, you can't generate enough volume with them to really pay off in a segment that has lower price points and margins," said Smith.

Most sources also said the back-to-school season has lengthened, because of the variety of school openings.

"The department is a year-round business, but back-to-school is like a mini-Christmas—it's super business for us," said Griffin, who estimates the chain sells 20,000 200-count packs of filler paper during the period.

But the biggest selling time—as much as 40 to 50 percent of the business—is "the day before, the day of and the day after" school starts, Blandford said, and others agreed.

"Our back-to-school advertising is second only to Christmas," Blandford said, noting that the chain features inserts every week through August. Among hot items for K&B this past year were Mead's Five-Star and Stuart Hall's Advance Super products. "The notebooks with pockets and upgraded covers and backs definitely increased business," he said. K&B did especially well with fashion portfolios and notebooks, and color was decidedly on the upswing.

The chain also saw a renewed interest in cartridge fountain pens. "Sizzle Sticks—that single item generated a lot of interest. And mechanical pencils continued to sell well," he added.

Drug Emporium's Cowart cited three-prong folders, 200-count filler paper , 70-count spiral notebooks, 10-pack pens and glue sticks as the hottest back-to-school items. "Glue sticks were absolutely phenomenal. First- through third-graders were required to have them, rather than liquid glue. We had big displays and sell-throughs every week," Cowart said.

Arbor, which offers 12 to 16 feet of school supplies in its promotional aisle for back-to-school time, in addition to its regular department, has seen a growth in sales of highlighters, roller and metal pens and mechanical pencils.

At Lewis Drug, Bic's Hot Stick, Mead's Sneaks and the wireless notebooks were especially good last back-to-school season. "School supplies has become a fashion business," Griffin said. "You have to have the catchy erasers, the 'right' folders, and keep up on who's hot in Saturday morning cartoons and among singers."

Vereen Ad Tracking Data

Comparison of stationery items' advertised prices

	Size	Sale Price	Chain
Envelopes	100 ct/50 ct	2/1.00	Longs
Envelopes		.59	Osco
Glue	4 oz.	.59	Osco
Glue		.59	Hoc[illegible]s
Legal pads	4-pack	1.49	Rea & Derrick
Legal pads	4-pack	1.49	Peoples
Legal pads	50-sheet pad	2/.99	K & B
Pen set		16.88	Super D
Pen set		14.99	Hook's
Super glue		2/.99	Snyder
Super glue	2-pack	0.97	Revco
Tape	½ inch × 450	2/1.00	Longs
Tape	½ inch × 450	3/1.00	Osco
Mailing tape	2 × 800	1.69	Revco
Mailing tape	2 × 800	1.79	Pay 'n Save

Source: Vereen & Associates, Inc., November 1988 Retail Ad Activity Service

Small chain has Texas-size promo ideas

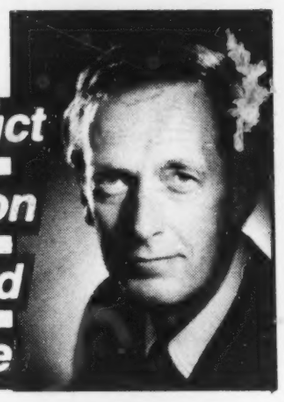
Large drug chains don't have a lock on good ideas.

Look how Bill Swail, owner of Peoples Pharmacy, a three-store operation in Austin, Texas, goes after the school business, using one store's location across the street from a suburban high school and two blocks from a grade school:

- The store has a deli that offers no-fat yogurt and makes its own sandwiches, salads, no-cholesterol popcorn and waffle ice cream cones for hungry high schoolers and secretaries at lunchtime. In winter, hot apple cider is ready for the before-school crowd. (The store opens at 7 a.m.) Toward summer, the specialty is "smoothies," a fresh-fruit slush.
- A "School Supplies" banner is hung across the store's exterior two weeks before school starts. "It does more than newspaper ads."
- He works with school administrators two months before schools open to find out what their students' needs will be. With employee input, he determines what the store ran out of the previous back-to-school period and buys accordingly. "If I have the items everybody else has run out of, customers remember and develop a loyalty. You have to stay in touch with what people are looking for. Big chains can't always do that using computers."
- As a "public relations-type thing," the store sells, at cost, student/parent school directories, published by a local organization.
- Using schools' supply lists, items are brown-bagged, sorted and labeled by grade.
- The store loans teachers free movies, such as classics for English classes and "kiddie movies" for class treats.
- He researches what computers are prevalent among local high school students in order to stock suitable floppy disks.
- He plans to have an artist create a rendering of the local schools' mascots to put on notebooks and such. "They'll be a little bit funky."

TRENDS

Food marketers deal with too many entries



In 1988 product introductions throughout all industries were down from the prior year's record pace. Foods and beverages followed the pattern, although the declines were not significant when viewed against the perspective of the past five years.

For new product marketers the problem is still one of too many, not too few entries. The 5,694 introductions in 1988 represented 13,200 different kinds and sizes. There just isn't room on the shelves for all of them.

Last year's decline is a sign, perhaps, that marketers have become more cautious due to the impact of excessive numbers of introductions and continued high rates of failure, concerns about economic slowdown, and the cost of slotting fees. They are giving ideas more scrutiny early on, doing more testing, and aiming to put fewer, but better new products into the marketplace.

Introductions in 29 out of 76 categories of foods and beverages ran counter to the average downward trend. Among these "winners" there are several whose records of increased introductions reveal a picture of the changing demographics and consumer needs, which are driving product innovation.

With baby boomers now producing their own baby boomlet, new products for babies are up across the board.

In foods generally, there appears to be greater interest in the basics. In 1987 some of the largest relative increases in introductions were for condiments, spices and seasonings, and sweet toppings and spreads: all of them responses to strong demand for more taste and variety in the foods we eat. More recently the action has switched to the center of the plate where added convenience, improved quality and nutritional concerns are the hot buttons.

Changing meal patterns and the prevalence of eating on the run have blurred the old distinctions between meals, light meals and snacks. Snacks, cookies, nuts, and confectionery all still account for substantial numbers of introductions but, with the exception of chewing gum, crackers, and chips, totals were down in 1988.

Beverage introductions declined in 1988 and for the first time in four years the ratio of beverage introductions to total new products also declined. There were signs that marketers may believe that the world now has more than enough bottled waters to choose from. Even coffee and tea marketers, who have been innovating fast to compete with soft drinks, dropped the pace for introductions in 1988. The major constant was soft drinks. Seemingly, our appetite for cold, sweet drinks is insatiable.

Richard Lawrence is president of the Marketing Intelligence Service, Naples, N.Y.

New products by industry 1984-88

	1984	1985	1986	1987	1988
Foods	2,699	2,337	2,773	2,932	2,830
Beverages	570	593	664	651	611
H&BAs	1,109	1,230	1,342	1,631	1,555
Household	306	464	364	367	319
Miscellaneous	228	296	193	293	225
Pets	109	139	107	157	154
Total	5,021	5,059	5,443	6,031	5,694

Source: Marketing Intelligence Service

Booming baby products

	1988 intros	% change vs. 1987
Baby beverages	6	+ 200
Baby foods	19	+ 137
Other baby products	47	+ 37
Total	72	+ 57

Source: Marketing Intelligence Service

New product action in basic foods

	1988 intros	% change vs. 1987
Poultry meals & entrees	60	+ 150
Meat meals & entrees	82	+ 148
Fish meals & entrees	25	+ 56
Other meals & entrees	140	+ 16
Vegetable meals & entrees	16	No change
Total	323	+ 54

Source: Marketing Intelligence Service

Slowing snack introductions

	1988 intros	% change vs. 1987
Chewing gum	19	+ 45
Crackers	51	+ 34
Chips	95	+ 4
Snack bars	21	– 5
Cookies	130	– 12
Non-chocolate candies	79	– 13
Chocolate candies	90	– 24
Nuts	33	– 25
Popcorn	40	– 31
Other snacks	70	– 33
Total	628	– 13

Source: Marketing Intelligence Service

The 5,694 introductions in 1988 represented 13,200 different kinds and sizes. There just isn't room on the shelves for all of them.

Soft drinks sparkle in new beverages

	1988 intros	% change vs. 1987
Soft drinks	89	+ 46
Mineral & bottled waters	39	– 27
Coffee	32	– 22
Tea	53	– 10

Source: Marketing Intelligence Service

Product Updates

New packaging design for beer

Adolph Coors' Coors Original Draft emphasizes the company's leadership in packaging draft beer since 1959. Packaging was changed to coincide with the rollout of the Extra Gold Draft premium brand, to maintain a conteporary and uniform look for all of the company's brands.

Adolph Coors, 311 Tenth St, NH320, Golden, Colo. 80401.

Mints now in changemakers

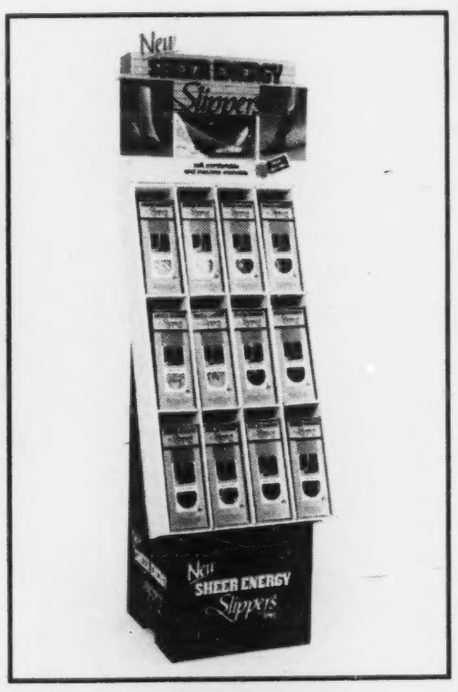
After Eight®, the upscale chocolate mint, is now available in individually-wrapped "changemakers" for counter use in drug stores. The packages come in boxes of 50 or 100, and have SRPs of 15 cents each, or two for 25 cents.

Rowntree De Met's, Inc., 230 W. Monroe, Suite 2738, Chicago, Ill. 60606.

Four new flavors for diet soda

Royal Crown introduced four new flavors to its Dite Rite line of beverages. The company has added white grape, caramel cream, red raspberry and peach to the line. All flavors are salt and sodium free and are 100 percent flavored with Nutrasweet. Other flavors include tangerine, lemon lime, pink grapefruit, and black cherry.

Royal Crown Cola, Gould Center-East Tower, 2550 Golf Road, Rolling Meadows, Ill. 60008.



Slippers program is introduced

L'eggs Products has expanded its product line to include footwear. The massage of Sheer Energy pantyhose is now available in Sheer Energy slippers that relax the feet.

They are made of soft flexible fabric and have a foam-cushioned sole. Three sizes are offered and they come in black, royal, bone and fuschia. SRP is $8.99.

L'eggs Products, P.O. Box 2495, Winston-Salem, N.C. 27102.

FM
FOOD MERCHANDISING
FOR NON-FOOD RETAILERS
Winter

Profile: Snack Sales Surge Page 29

FM Special Report:

Sharp Teamwork Between Manufacturers, Brokers And Nonfood Retailers Shoot Grocery Category Sales Up 14 % To $18 billion

Features

FM Special Report:

Grocery Sales In Nonfood Stores Were Up 14% in 1988

8

Fm is estimating that nonfood grocery sales topped $18 billion in 1988 and will rise another 13% in 1989 to exceed $20 billion.

1988's Best Selling Promotional Groceries

12

Nonfood buyers say seasonal and convenience groceries as well as household cleaners were their strongest selling grocery items last year

Buyer, Manufacturer, Broker Partnership Fuels Sales Growth

15

Grocery buyers for nonfood chains say manufacturers and brokers are sparking grocery sales by being more flexible and by creating programs that meet nonfood's special needs.

Candy Sales Surged In 1988

21

Buyers say their chains are promoting the category more and giving it more prominent locations in their stores.

Consumers Respond To Snacks In Nonfood Stores

29

Buyers estimate sales are up between 15% and 25%. Many chains are expanding into cookies, crackers, popcorn, chips and other high consumption snacking items.

Departments

Food For Thought

Drug and discount chains are romancing candy buyers by discounting high margin theatre packs.

5

SAMI Category Seasonality Report

Best selling categories of fall 6

Food Merchandising for Non Food Retailers

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, N.Y. 10022
212-371-9400
Cable Address: LEBHAFRIED

Publishers **JAY FORBES,** *Drug Store News*
FRED J. FILER, *Discount Store News*

Editor **Elizabeth Parks**

Art Director **Robert Brokman**
Production Manager **Jack Degnan**

Circulation Director **Elaine Corrado**
Research Director: **Anne Frasciello**
Production Director **Stan Kaufman**

National Sales Managers
John Failla, *Discount Store News*
Jill Manee, *Drug Store News*

Executive Director Circulation **Ed Nessel**

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Publication Services **Barry Braverman**
Sr. VP/Group Publisher **James T. deGraffenreid**
VP/Planning **Harry A. Estes**
VP/Publishing **Jay Forbes**
VP/Finance **James Granato**
VP/Human Resources **Richard D. Groberg**
VP/Editorial Director **David Q. Mahler**
Sr. VP/Group Publisher **C. Reese Musgrave**

REGIONAL OFFICES

Boston 1 Gateway Center, Newton, Mass. 02158, 617-527-6394
Regional Manager **James Malver**

Cleveland Summit One Building, 4700 Rockside Road,
Independence, OH 44131, 216-642-3420
Office Manager **Martha MacVean**

Chicago 444 N. Michigan Ave., Chicago, Ill. 60611, 312-644-8688
Regional Manager **Ed Nessel**
District Manager **Bruce Smith**

Los Angeles 606 N. Larchmont Blvd., Los Angeles, Calif. 90004, 213-464-8321
Regional Manager **John Donoghue**

Washington 117-35 Striley Drive, Washington, D.C. 20861, 301-774-3895
Manager, Correspondent **Kenneth Rankin**

Japan Diamond-Friedman Ltd. Chain Store Age News Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan 504-6750

ABC MPA

Publisher of Food Merchandising, Accounting Today, National Home Center News, Discount Store News, Nation's Restaurant News, Drug Store News, Computer&Software News, Computer Product Selling, Chain Store Age Executive (with Shopping Center Age), *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions

Having a problem with your subscription? Send full details, including the mailing label from the last copy you received and your telephone number to Circulation Fulfillment Director, Discount Store News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

Permissions

Materials in this publication may not be reproduced in any form without written permission. Direct permission requests to Fred J. Filer, publisher of Discount Store News or Jay Forbes, publisher of Drug Store News, 425 Park Ave., New York, N.Y. 10022.

Drug & Discount Chains Find New Way To Romance Candy Buyers.

Elizabeth Parks

Drug and Discount chains have found a new way to offer their customers a super value on candy: by featuring high mark-up king size candy bars, that movie theatres sell at concession booths, at sharply discounted prices.

According to candy brokers, the strategy first surfaced about two years ago when Walgreens and Osco, both drug chains headquartered in Chicago, began promoting the king size bars that most movie theatre concessionaires mark-up 250% to 300%.

Walgreens may have been the first to promote the theatre packs. Sources say their management took the same bars that the movie houses were marking up by 250%, marked them up just 30% to 50% depending on the occasion, and began promoting them at three or four bars for a $1.

Since then, more chains have been buying the theatre packs, and in the last 12 months, the strategy of offering these particular items at especially low price points has become very intense.

"The candy manufacturers have always catered to the concessionaire market," says one buyer. "But now, they're expanding those packs into the retail trade and it gives us an opportunity to promote a very good value at a price point that actually makes us money."

According to candy broker Don Vogel of Vogel Hoffman in Chicago, the idea for promoting theatre packs at retail evolved through "the ingenuity of retailers and sales reps."

Vogler said that drug chains, in particular, were searching for a candy they could promote at an especially good price point. By marking their candies up 250% to 300%, the concessionaires had created a niche or a void that the drug chains knew they could fill.

Walgreens, for example, began promoting the king size bars at multiples of three or four for a $1. The consumer who had just spent $1.29 for that same bar in a movie house immediately recognized the savings.

Oddly enough, the nonfood trade has been able to exploit its opportunity without worrying too much about banging heads with the food chains.

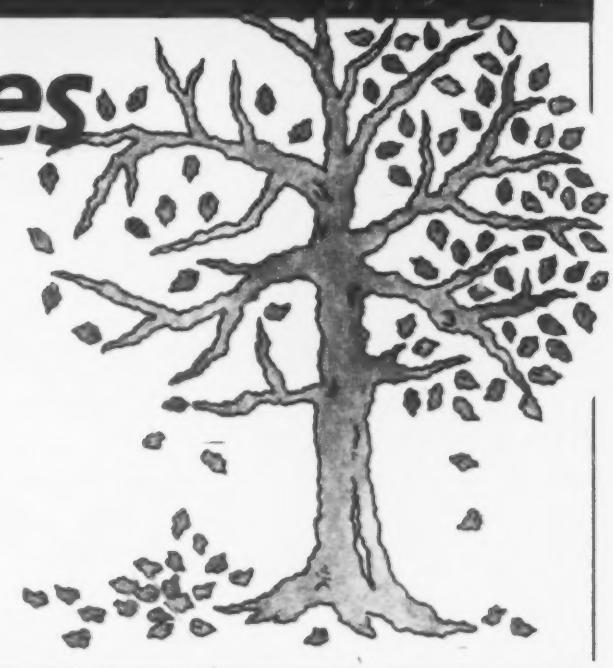
"The food chains are just starting to look at it now," says Vogel. "They've been slower to get into this because food looks at the candy category as basically a profit center. It's something they have to be in, but they don't pay too much attention to it.

"Now the drug and discount stores, on the other hand, use candy as a traffic builder. For them, it's a commodity that can build traffic, and they are constantly trying to change and romance that department."

Some of the romancing can be seen in the way many drug chains merchandise candy in their stores. Walgreens, for example, will often give four to five of its feature tables to in-store candy presentations, and candy controls more end caps in a Walgreens store than any other commodity.

In addition to promoting the theatre packs regularly, Walgreens also carries them at a low everyday retail. Everyday, the theatre packs will sell between 69 cents and 89 cents in Walgreens.

Best Selling Categories of Fall



The chart below lists the best selling categories in food stores for the months of September, October and November.

The rankings are ~~based~~ on a special Sami study tracking seasonality growth trends by category. The categories that made the list had a base index of at least 110 for the three years ending in January, 1988.

Knowing the index makes it easier for food, snack and household supply buyers in drug and mass merchandise stores to identify the categories that will turn the fastest for a planned seasonal promotion.

Foods and Groceries: Best Sellers of Fall
(Average three year index ranking)

September		October		November	
Foods	Index Ranking	Foods	Index Ranking	Foods	Index Ranking
Packaged soft sugar candies	196	Packaged Non-chocolate chewies	207	Canned Cranberries	322
Packaged Non-chocolate chewies	171	Packaged soft sugar candies	203	Baking nuts	309
Fruit Pectin	130	Cider	186	Dates	304
Vinegar/cooking wines	119	Packaged hard sugar candies	150	Cider	251
Canned Meat Spreads	119	Packaged diet candies	145	Packaged chocolate covered fruit	239
Canned sausage/ frankfurters	119	Canned Chili	138	Sterilized milk	221
Packaged hard sugar candies	118	Dates	135	Packaged Novelties	216
Dry Toaster Items	117	Baking Chocolate & Bits	134	Baking Chocolate & Bits	214
Bottled water	117	Tomatoe puree	130	Stuffing mixes	208
Spoonable salad dressings	115	Canned kidney/misc beans	130	Corn syrup	206
Canned Corned beef	113	Canned meat stew	128	Coconut	205
Chocolate candy bars	113	Dry Toaster Items	128	Dry Yeast	205
Canned lunch meat	113	Fruit rolls/bars	126	Canned potatoes	198
Multiple pack gums	113	Bread & Cracker crumbs	125	Pie crust mix	194
Packaged chocolate covered nuts	113	Cereal meal	123	Canned onions	183
Lemon & Lime juices	112	Solid Shortening	122	Canned pie filling	174
Cereal Meal bars	111	Tomatoe paste	122	Packaged hard sugar candies	173
		Tomatoe sauce	121	Brown sugar	172
				Croutons	166
				Packaged chocolate covered nuts	160
Non Foods					
Paper Household bags	144	Rodenticides	163	Heatable Plastic bags & wraps	275
Plastic Storage bags	125	Air Fresheners	120	Disposable containers	194
Laundry soil/stain removers	123	Rug cleaners	119	Fireplace logs & bricks	175
Handle goods	119	Upholstry cleaners	117	Rodenticides	160
Upholstery cleaners	119	Mildew removers	116	Coffee makers	127
Disinfectants	119	Disinfectants	116	Rug cleaners	119
Window cleaners	116	Starches	114	Light bulbs	115
Rug cleaners	115	Furniture Care	112	Dry Cell Batteries	113
All purpose cleaners	114	Laundry soil/stain removers	112	Waxed Paper	110
All fabric bleaches/ detergents	114	Handle goods	111		
		Light Bulbs	110		
		Disposable Containers	110		

Source: Sami Seasonality Study

Grocery Sales Are Up in Nonfood Stores

Sales last year surged 14% to over $18 billion. Buyers say more promotions and manufacturer/broker cooperation are key factors

Nonfood chains say their best selling groceries are commodity items like tuna and coffee.

Grocery product sales in nonfood stores were up an estimated 14% last year, according to Fm's estimates.

An analysis done exclusively for Fm by Malcolm Knapp Inc. shows that grocery product sales to drug, discount and wholesale club stores rose 14% to about $18.3 billion last year.

This year, Fm is projecting that sales will go up at least another 13% to over $20 billion.

Much of the growth is coming from the sales of promotional groceries. Except for Walgreens in the chain drug industry and K mart and Wal-Mart in the discount industry, most of the major drug and discount chains have slowed down their expansion of convenience or dry packaged food departments.

For this past year, most of the drug and discount chains have been concentrating more on their core businesses. The drug chains have been investing more time and energy in their core categories of pharmacy, hba, cosmetics, etc., and the discount chains have been concentrating on building their image and improving their presentations of clothes, appliances, and other gm categories.

"Convenience foods is still an area we're interested in," said a source for one of the major discount chains, "but for the time being we're concentrating on other things. We're using foods primarily as a traffic builder and impulse sales generator."

With the exception of Walgreens, which now has about 550 stores with convenience food departments, most chain drug buyers are also concentrating more on promotional groceries this year.

Their strategy, they say, is to carry the convenience, high consumption items that people either seek out when they're on ad or buy impulsively when they see them displayed at a good price.

Many buyers for drug and discount chains tell Fm that they have promoted groceries much more ag-

Grocery Sales Trends in Membership Warehouse Club Stores
(retail sales millions)

Category segment	1982	1985	1986	1987	1988	1989
Packaged Groceries (excludes snacks)	$122	$1,526	$2,802	$4,203	$5,181	$6,201
Packaged Alcohol	13	174	327	490	603	721
Paper Goods	11	153	288	444	564	675
Soaps/Household cleaners	12	157	296	449	560	670
Pet Foods	6	80	154	239	304	376
Total Sales	164	2,090	3,867	5,825	7,212	8,643

Source: Malcolm Knapp Inc., New York

gressively this year than in prior years.

Most say they have a two-fold objective for staging more grocery promotions. They're using them to build traffic, "to attract more shoppers into our stores" and they're using them to generate additional impulse sales.

Both the drug and discount chains are about equally as aggressive with grocery promotions these days, but the discount chains prefer to advertise large sizes, and because they have bigger stores, they also give more feature space and more display space to traditional packaged grocery items like cereals, canned meats and fish, soups, condiments, jams and jellies, etc.

Discount chains also give more space to household cleaners, pet foods and beer, wine and alcoholic beverages.

Snacks are one of the nonfood chain's strongest grocery categories. Most chains are expanding this department.

Grocery Sales Trends in Discount/General Merchandise Stores
(retail sales millions)

Category segment	1982	1985	1986	1987	1988	1989
Packaged Groceries (excludes snacks)	$3,132	$3,461	$3,466	$3,301	$3,342	$3,571
Packaged Alcohol	426	717	825	874	985	1,058
Paper Goods	154	263	294	317	355	427
Soaps/Household cleaners	79	103	110	112	120	128
Pet Foods	52	84	94	97	114	140
Total Grocery Sales	3,843	4,628	4,789	4,701	4,916	5,324

+ Discount stores account for approximately 56% of the above total sales. The rest is generated by department, variety and miscellaneous general merchandise stores.

Source: Malcolm Knapp Inc., New York

Drug stores, on the other hand, give more space to what many buyers call "convenience" groceries, those traditional items that people can use to help prepare "a meal in an instant."

Many buyers say that after years of experimenting with groceries, they are winnowing out the winners from the "dogs."

In all channels of nonfood distribution, drug, discount and warehouse clubs, buyers say they prefer to stock high consumption items like candies, snacks, juices and soft drinks, as well as convenience items like Vienna sausages, olives, cereals, tuna, packaged side dishes like Rice-A-Roni, or canned meals like Chef Boy Ar Dee spaghettis and raviolis, etc.

In the discount industry, K mart and Wal-Mart are still the most aggressive merchandisers of groceries, both everyday and in their ads. Zayre's has cut back on packaged groceries this year, but the chain is still strong on their traditional grocery categories, such as candies, snacks and household cleaners.

Target is also still strong with the candy, snack, beverage and cleaner categories and Venture is continuing to build its base of traditional candy, snack, beverage and cleaner sales as well as to promote packaged groceries and pet foods.

A K mart source says foods are starting to find their "natural niche" in mass merchandise stores. He says they fill a need for drawing customers into a store on a regular basis, plus they can be profitable when they're bought on deal and carried for as long as supplies last.

"When we advertise a food item in our circular," he said, "it's for a seven-day sale, and we'll take a very competitive price to build traffic.

"But we may decide to do two ads on that item. One at the begin-

Grocery Sales Trends in Drug Stores
(retail sales millions)

Category segment	1982	1985	1986	1987	1988	1989
Packaged Groceries (excludes snacks)	$1,244	$1,708	$1,859	$2,019	$2,181	$2,354
Packaged Alcohol	1,186	1,627	1,761	1,915	2,078	2,243
Paper Goods	492	861	981	1,176	1,360	1,524
Soaps/Household cleaners	254	335	362	392	430	467
Pet Foods	32	53	59	67	85	100
Total Grocery Sales	3,208	4,584	5,022	5,568	6,134	6,688

Source: Malcolm Knapp Inc., New York

Buyers describe groceries as an "opportunistic" category, drawing more customers into the stores & capturing sales.

Grocery Sales Trends in NonFood Stores
(retail sales millions for drug, discount & warehouse clubs)

	1982	1985	1986	1987	1988	1989
Total Grocery Sales	$7,215	$11,302	$13,678	$16,074	$18,262	$20,655
% change	6%	n.a.	21%	18%	14%	13%

Source: Malcolm Knapp Inc., New York

ning of the deal period when we're looking to build traffic, and then an ad at the end of the period, when we want to sell through whatever quantity we have left.

"In between, we take a slightly higher mark-up and even though, we still offer a very good price, we can make a good profit for the period between the two ads."

In the chain drug industry, retailers like Peter Agostino at Eckerd, Jim Muir at Dunaway, Andy Horn at Harco, Clarance Archer at Dot and Paul Desjardins at Welby, all report their sales of promotion-

Grocery's Share of Discount Store Sales

Segment	1977		1982	
	All stores	Stores with grocery products	All stores	Stores with grocery products
Packaged Groceries	3.4%	4.2%	2.6%	3.7%
Packaged Alcohol	0.2%	2.1%	0.4%	2.2%

Data on paper goods, soaps/household cleaners and pet foods is not available.
Source: Malcolm Knapp Inc. & Census of Retail Trade 1977 and 1982 Merchandise Line Sales

al groceries are growing, usually at double digit rates and on some items, like a Gatorade, which has had what buyers and brokers call "a phenomenal year," up 50% or better.

"There is strong growth in grocery," says Agostino, the senior buyer of convenience foods for Eckerd Drug, "but it's there for the right items. You can't just put in anything."

"Our promotional grocery sales are growing," says Clarance Archer, VP of Wal-Mart's Dot Drug chain, "but that's because we're carrying the things that people use everyday: cereals, peanut butter, juices, canned meats, tomatoe sauces, spaghetti's, applesauce. These are all good convenience items that bring people back in."

"We're buying more promotional groceries," says Jim Muir at Dunaway in Georgia, "but it's also because I feel more confident about the category. I'm able to weed out the slow movers and I know what works for us."

"Groceries are doing real well for us," says Andy Horn at Harco. "We buy on deal as much as possible, and we try to get high consumption items: peanut butter, bar b q sauce, ketsup, things like that."

"We cut back on our convenience assortment," says Paul Desjardins at Welby in Maine, "but we did it to improve turns. Our sales are still going up because we're promoting groceries more and we've cut out all the dead items."

As far as most buyers are able to say right now, the future for groceries in nonfood stores is still quite bright.

As Andy Horn puts it: "Food will have to be more important to the nonfood chain. As the grocery, drug and discount chains start to look more and more alike, we're all going to be trying to draw traffic from each other. The grocery chains moved first by putting in pharmacy and hba to draw traffic from us. Now it's just natural for us to put in groceries to try to draw traffic from them."

"Having these products in our stores tends to enhance our convenience image with our customers," says Peter Agostino at Eckerd. "And we find we don't have to have a large assortment. If we carry the right brands in the right categories, we do well, and our stores benefit from the added traffic."